OLIVER: I would like to ask first today, Mr. Lejeune, if you would say a bit about the way in which the Middle East and North Africa Department came to be started and about your role as its first director.

LEJEUNE: Well, I had been Director of Administration during the early years of George Woods' presidency. We had agreed between us that I would work in that capacity for about three years. I had previously been the assistant director in the Far East Department. Before the three years were up, George Woods asked me if I would care to continue as Director of Administration. I said, "No."

The upshot of this was that, when Woods decided to create a new department for the Middle East and North Africa, he asked me to be head of it. I don't remember the precise date off hand, but I think it was about March of 1967.

OLIVER: Had North Africa and the Middle East been in other area departments before?

LEJEUNE: I think it had been split several ways. One would have to go back to the record — back to the Annual Reports. The new department took the Middle East from the existing Europe and Middle East Department and North Africa from Africa.

OLIVER: Would you say a bit about the events that occurred in the Middle East and North Africa Department when you were its director?

LEJEUNE: Our new venture got off to a poor start, I have got to say, because of the June '66 war between Israel and Egypt. You will remember that within the Middle East there was a sharp reaction against the United States. The Bank was viewed as an institution virtually under the control of the U.S. and hence to be avoided and not trusted. Conducting relations with Arab countries that had been embroiled in the conflict was almost impossible. We tried, but it was not easy. I remember well my first visit to Syria. I got nowhere trying to find some common ground for discussions with the Finance Minister and other ministers responsible for economic development. Interestingly enough, however, I was received by the President in a private meeting. He observed I was an American. I said that was so, but I was from the Bank and was an international civil servant; it was in this capacity that I was visiting Syria. He replied: "You are the first American I have met since the war with Israel," and seemed to look upon me as a curiosity rather than as the emissary of an institution of which Syria was a member and which was ready to help it. Hardly anything came of this visit. The hostility was palpable.

While Egypt was the largest of the countries in the area and much in need of the Bank's help, the Egyptians distrusted the Bank. A principal problem was that Egypt had defaulted on its foreign debt, much of which was held by the U.S. government or U.S. financial
institutions. The Bank had a firm policy of not lending to a country in default unless it was seriously and actively trying to work out a settlement with its creditors. To clear the way for getting into business with Egypt, much of my time was spent trying to get the U.S. and Egypt to sit down and negotiate. Given the tensions of the times, it was tough to make any progress. Many in high places in the U.S. Government felt that Egypt was responsible for encouraging Russia to extend its influence into the Mediterranean and were, accordingly, unwilling to bend much to improve relations with it.

The result was that our lending operations were pretty well confined to the countries of North Africa which had not been closely involved in the war: Morocco, Algeria, Tunisia -- and Jordan and Lebanon, which were amenable to re-establishing relations with the Bank. It was in these that we began to expand our lending operations.

OLIVER: Would you say a word in passing about the work of an operational department?

LEJEUNE: As I think we may have discussed in our earlier interview, there was always an operational part of the Bank specifically concerned with lending operations. Originally this was a single department, called the Loan Department, headed by the Loan Director, who was also chairman of the Staff Loan Committee. There was a reorganization in the early '50s which resulted in the Loan Department's being split into three so-called "area departments", one each for Asia, Latin America, and Europe, Africa and Australasia. These reported to the Vice President. (There was only one Vice President in those days.)

Typically, each area department had a director. The director had a deputy, called the "Assistant Director," and there was a departmental economic advisor (sometimes two). This group of three (or four) formed the top management of the department.

Under the Director and Assistant Director, there was a series of divisions. Each division was responsible for a group of countries, or, if the country was very large -- India, for instance, only one country. The staff of the division comprised a division chief and a number of loan officers and country economists. The term "Loan Officer" was, and still is, a misnomer. He was the person in the Bank directly responsible for relations with the client country on a daily basis, and for organizing or coordinating the Bank's work on the various aspects of the country program. Of course most of this work was done by specialists, some of whom -- particularly project specialists -- were in other departments. The economic work was done by the country economists or the economic advisor or economists co-opted from elsewhere in the Bank, such as the Economics Department.

Broadly speaking, the functions of an area department were to manage the Bank's program for a particular country, to be responsible for assessing the country's development needs, its development plans, its prospects and its creditworthiness; and to develop a program of lending and technical assistance for that country. As part of its responsibility, the area department, assisted by project officers, lawyers and others, was responsible for negotiating each Bank loan (or
IDA credit) with the representatives of the country. The area department justified each country program and each lending proposal to the Staff Loan Committee, the President and the Board.

As time went on and the operations of the Bank increased, the functions of project identification, preparation, appraisal and supervision became increasingly important. Before the reorganization in the '50s, these functions (except, to some extent, supervision) had been exercised by a unit in the Loan Department, but the reorganization reassigned responsibility to a separate Technical Operations or Projects Department which grew to be very large. In the next major reorganization in 1972, this project work was regionalized, so that each area department -- now six in number, each expanded to be a "regional vice-presidency" -- was served by its own projects staff. Actually project and economic sector work is more complex than I have described. Two of the best sources of information are a couple of works by Warren Baum -- a pamphlet on the "Project Cycle" and a book (written with Stokes Tolbert) which expands on the subject.

OLIVER: I understand. I wonder if we could now go back to what the Bank was doing in the Middle East when you were in charge.

LEJEUNE: We started our business in the spring of 1967 -- at the time when the Middle East had just started to recover from the June '66 war between Israel and Egypt. This affected the whole of our operations in the area, most seriously affecting those countries which were immediately concerned or related to this conflict, but not quite so much those further away. The lending programs for the year give you some idea of how meager our prospects were of getting anything done. I note from the Annual Report that at the close of the 1967 fiscal year, which would be June 30, 1967, we had lent a total of only $82 million. I was not responsible for much of that year, but, nevertheless, it fell in the first period in which I was concerned with this part of the world. The loans were to Tunisia, Iran and Iraq -- and a very small one to Jordan for agricultural credit. In Iran we were lending to the development finance company and in Iraq we were financing roads. Only in Jordan did we do something a little new, and even agricultural credit doesn't take us nearly as far as the kind of agriculture projects which the Bank would be coming to in future years.

The next year, fiscal 1968, shows a considerable step-up in volume: more loans and more money -- another $115 million was lent between the Bank and IDA, but again it was very traditional. In Iran it was for irrigation and land development. In Sudan it was for power. In Iran, again, it was for the development finance company. In Israel, a development finance company loan; and in Tunisia, a development finance company loan. This not only shows that our total impact was small, but that it was in a pretty narrow range.

OLIVER: May one infer from the fact that such a large percentage of the loans was to development finance companies that the Bank at that time in that area was trying to get private firms of one kind of another started?

LEJEUNE: Oh yes, it is quite clear that in that era, under Bill
Diamond, the Development Finance Company program in the Bank was very heavy. It was a definite effort on everybody’s part to foster the private industrial sector in the developing countries when that seemed possible. It did seem possible in Iran. In fact this was not the first loan to Iran, nor the last, for this purpose. It was possible in Israel; it was possible in Tunisia. So I think that is a fair judgment.

OLIVER: Your mentioning Israel leads me to ask how you managed to get loans to Israel approved when, I suppose, the loans to Israel must have been opposed by some of Israel’s neighbors.

LEJEUNE: Well, yes, I’m sure they all were. Of course, in the Bank’s Board, politics are not allowed to be a consideration, nor are they allowed to be a consideration by the Bank’s staff in the course of their work. The Bank’s Articles of Agreement, its charter, forbid it. When for political purposes members of the Board object to something, they find other grounds. The Arab countries would claim that Israel’s military build-up made it essentially an uncreditworthy country. They said, the Bank ought not to be lending to Israel; but, of course, the Bank made its own appraisals in these matters and concluded that Israel was creditworthy, and there was no particular reason to discriminate against Israel from the Bank’s point of view. The Bank wasn’t allowed to discriminate on political grounds, and the economic grounds were not sufficient to do so. So even though there were objections in the Board, these loans were approved. Of course the Arab countries did not have very many votes.

The next year was 1969. By then Bob McNamara had been President for over a year, but his influence was still in an early stage. Our lending did not improve greatly in terms of volume or character. In those early days of McNamara’s presidency, we had not yet developed many new ideas and techniques. That came later. So I note that we were continuing to lend another tranche for the development finance company in Iran and that another large loan in Iran was for irrigation and land development — traditional things. In the agriculture sector, loans were the traditional kind of agriculture loans the Bank had been doing for some time. In the Sudan, perhaps a slight departure: a small loan for mechanized farming. In Tunisia, it was ports, railways, and water supply. In Morocco, another development finance company. Woods had left, and McNamara was beginning to develop new ideas about things, but none of this was reflected much in our program in the Middle East that year.

In that year too, in fiscal 1969, the Europe Department was closed down, and the countries that were handled by it were transferred to the department of which I was the head. It became "Europe the Middle East and North Africa," sometimes called "EMENA". Our horizons were considerably broadened, and we got a lot more business in the so-called European countries in that year than we did in the Middle East: Finland, Turkey, Cyprus, even Ireland and Yugoslavia. That year essentially saw the end of my time in that area, because El Emary, who was in charge of Eastern Africa in the Bank, stepped aside from that responsibility to become a special
assistant to the president, and I was asked to take over Eastern Africa.

I don't know that I can cast much light on the time under George Woods in the Middle East except to say that he was very interested in trying to get going in the Middle East and pressed us pretty hard. As I said earlier, we emphasized our programs in the countries where we could do business: Morocco, Tunisia, Iran, and, to a minor extent, Jordan, Israel, Iraq. Nothing for Egypt: it was not possible given that Egypt was in default on its foreign debt. Nothing to Syria, given the Communist cast of the Syrian government and its reluctance to associate itself with anything as westernized as the World Bank. Although we tried to improve the Egyptian situation and the Syrian one, I have to confess that during my tenure we didn't get very far.

OLIVER: On the face of it, it seems curious that East Africa would suddenly be added to North Africa the Middle East and Europe.

LEJEUNE: I misled you: it wasn't a new department in any way. It was just that I was transferred from Europe the Middle East and North Africa to be Director of an entirely different department which was concerned with Eastern Africa.

OLIVER: I understand. Eastern Africa became a department all by itself.

LEJEUNE: It was already a department all by itself. I forget the exact timing, but by the time I took over, the Africa Department (of which Pierre Moussa was the first head and El Emary, the second) had been divided into two. El Emary was in charge of Eastern Africa, and Roger Chauffournier was in charge of Western Africa. By the time I was moved, I fell heir to only El Emary's half of the rather large African sub-Saharan region.

OLIVER: Are there any stories or lessons, so to speak, about Eastern Africa? (I realize we are talking about a period after 1968 now.)

LEJEUNE: I, of course, had had long experience with Eastern Africa, because in the early days, when I was just a loan officer and then deputy head of Europe, Africa and Australasia, I had indeed spent a lot of time working on countries which fell into the East African Gambit: Sudan, Ethiopia, the Congo and particularly Kenya, Uganda, Tanzania, Rhodesia, Northern Rhodesia (which became Zambia) and Malawi. These were all countries where I had worked previously, and so, in a way, I picked up a responsibility which I had left behind some four or five years earlier.

Things were changed when I got back. In the earlier times, most of these countries (of course not the Sudan or Ethiopia, but most of them) were dependencies of the United Kingdom or Belgium. So we were working both with the metropolitan country and the dependency in all that we were doing. Now there had been a drastic change. By the time I got back to it, all these countries had become independent and were going through the early stages of self-government. They were getting along without either the help or the hindrance of the former metropolitan power. At the time I took over in Eastern Africa, we were already well embarked on changes in general programs: much stronger emphasis on agricultural work; just the beginnings, perhaps.
of things related to rural development — rural roads, things of that kind; trying to do something about the livestock operations, livestock being so important in many of these countries. This was an extremely difficult area in which to work, and I regret to say that many of the livestock projects that the Bank got into, not only in my time but subsequently, failed to achieve their objectives. I won't say they were failures in general because they did accomplish a lot of things, but they did not earn a reasonable economic return. There are probably a lot of reasons. Africa, to begin with, is a very difficult place to do business. In the rural areas, one is up against all sorts of problems: customs, local government, tribal matters, attitudes ingrained over centuries which have not caught up with modern developments. The Bank, while pretty good at economics and so on, was, I must confess, pretty poor on sociological matters. I don't believe we even had a sociologist at the Bank in those days, and the truth of it is none of us really understood how African society worked. We did not speak the local languages. There were very few who did. While government bodies, and so on, all used English or French, these European languages were not spoken in the areas where we were trying to do business with the poorest people, the less educated people. These people communicated in their tribal languages, or possibly in Swahili or some other lingua franca which none of us knew at that time. I'm not sure that it is any better in the Bank now.

We were getting started in that part of Africa. I think the same was true in Western Africa judging from some of the themes, some of the ideas, some of the thrusts, which were in Mr. McNamara's Nairobi speech of 1972 when the Bank's new look really came on view. The ideas of rural development, doing things for the poorest of the poor, and all these lines of approach, were developed, not only in the speech, but in the programming of activities following that speech.

Like so many things that happen in governments, in the Bank and everywhere else, when they finally come to public view, the public takes the attitude that this is the first blush, it is the birth of something. Normally quite a period of gestation has gone by, including some trial runs and other things before the new set of policies are set out publically.

OLIVER: I was going to ask a question that dealt with that very thing. If you take a still picture of the Bank in 1950, or even 1952 after the reorganization, and a picture of the Bank in 1972, I should have thought they would appear to be quite different organizations.

LEJEUNE: I think that is correct. But one has to look at it quite closely from year to year to see what is going on. I don't know what records are most useful in this regard. I expect the Board minutes are as useful as anything. But it is of course true that there was a tremendous evolution and that it was particularly apparent in Africa,
because the African countries changed their status during this period; they changed their objectives, changed their hopes; and all this had a great bearing on what we were trying to do.

OLIVER: The Bank in turn changed its ideas somewhat on the subject of what kinds of projects might be useful in stimulating the development of a whole society.

LEJEUNE: Yes, I think that is true. I think the Bank, by the early 1970s, was taking a much broader view of its relationship with its member countries. It was not only looking at a series of projects, or even a series of economic sectors; it was looking at the whole complex of a country’s economy, its policies, its plans. There was much more of a dialogue going on at the highest levels on these matters. There were dialogues on individual loan proposals as well, but these all fitted into a larger scheme of things. It became even more obvious and more a matter of specific planning under McNamara than had been the case previously.

OLIVER: To return for just a moment to some of the things we talked about in our first interview, I wonder if you would contrast Mr. Woods’ manner of operating with, let’s say, Mr. Black’s manner of operating. It is my impression that Mr. Woods tended to intervene, to inject his own personal views rather more into the everyday operations of the Bank. I wonder if that is so, and, if it is, can it be illustrated?

LEJEUNE: Well, it is hard for me to comment too much on that because, as I mentioned in our earlier interview, during George Woods’ five years as President, I spent three on the administrative side and only two on the operational side. So on the degree to which he was reaching into operations personally, I don’t have a very good view, except to say that, during the time I was working on the Middle East: yes, he had a lot to say about it. But that was partly because I was new, and the emphasis on the Middle East was new and it was spurred by external events of great importance. It was not surprising that the President of the Bank would think the Middle East was an area to which he had to pay a lot of attention.

I do remember one issue, and that was the degree to which there should be state control or state interest in essentially commercial enterprises. It is true that Woods managed to soften the Bank’s rather rigid policy against lending for governmental industrial or commercial activities which, in much of the West, we customarily think of as being private enterprise as distinct from state enterprise. He softened that; he could do so because he had come out of Wall Street and no one could accuse him of being unduly soft on this kind of thing. On the other hand, he was a realist; he could see what was going on in the underdeveloped world, and that in young countries with few entrepreneurs, the government often had to lead the way.

There was also a bit of switch-back on this. I can remember a meeting in Woods’ office with the Algerian Minister of Finance in which they had an extremely heated argument. The Algerians, being Socialist minded, wanted to get Bank money, especially in connection
with the development of their petroleum resources, for state enterprises of one kind or another. Woods was saying, "Not on your life; you won't be getting that from the World Bank," reading the man a lecture on that subject. You asked if there was any difference in style. Well, I cannot imagine Gene Black getting into that kind of a personal, heated discussion with a finance minister. It would have all been a lot smoother. The outcome might have been the same, but the style would have been entirely different.

OLIVER: I wonder if there is something that you can add to what has already been said on the evolution of three of the new parts of the Bank, namely the Young Professionals, programming and budgeting, and the operations evaluations work. I think all of these began during the '60s did they not?

LEJEUNE: Yes. On the Young Professional Program: early in the Bank's history, at a time when I was still in Personnel — in fact, I guess I was head of what was the Personnel Division -- we instituted a training program under which we brought young people from abroad for a year's time in the Bank: sort of in-service training, no guarantee offered of a position in the Bank at the end of the time, but with the possibility that some might be offered positions. Indeed, some were. Some people who went quite a long way in the Bank, although not to the top, came out of that original program. It was small in size, maybe ten or a dozen people per year, but quite a lot of people attended the Bank in this way and took back their experience. Many of them rose to high positions in their own countries. It provided a useful nexus between the Bank and the rising manager administrators in some of the developing countries.

Under pressure from the Executive Directors, however, it became more politicized. The chairmanship of the selection committee was given to the Secretary of the Bank, Mr. Mendels, who was the senior officer who worked closely with the Executive Directors. The program became a means of arranging for the benefits to be spread evenly among the various developing countries rather than with a view to selecting the people who might be appropriate to the Bank's staff. The number of trainees asked to remain on the staff and fell lower and lower, although the program in fact expanded. Eventually it was brought to a close as being thought no longer useful. I think that had happened before George Woods came aboard.

After Woods came aboard, the idea of a program specifically designed to bring young people into the Bank, not just to be sent back to their countries after a period of training, was put forward. (I think it was Dick Demuth who may have put the refinements on the plan.) It was what became known as the "Young Professionals Program." It was instituted during Woods' time. I became chairman of the selection committee. The program has continued ever since, largely unchanged. There is, perhaps, a little less emphasis on training than in the early years. In the first year, when we set this thing up, there was more of a rotational pattern to the assignments. But almost from the beginning, we expected to take most, if not all, the members of this program onto the permanent staff of the Bank the
first year. In fact, I believe now they are appointed to the permanent staff right from the word "go." The first year is just a period of orientation, as it were, before they take up their assignments. It has been an extraordinarily successful program.

OLIVER: The idea was sort of a combination of the earlier program, on the one hand, and a new idea that started either with Mr. Demuth or Mr. Woods, or maybe jointly between them?

LEJEUNE: As between Mr. Woods, Mr. Demuth and myself, I don't really remember who made the decision to design a program of this kind. I had always felt strongly that the Bank needed it. I was concerned when the one that I had set up in the early days was changed in character and became less useful. So I was certainly glad that something new came along which fitted my own ideas. It may have come out of (I don't now remember) a recommendation of the Committee on Training, which I chaired before I became Director of Administration, in which we wrote a report on all aspects of training, an effort which Woods was very taken with. I forget whether this idea was developed in that report or not. I do know that the specifics of the program, the shape of the program, was thought out by Demuth's department and was then agreed to by management and the Board. The management of the program was put into the hands of the Personnel Department -- hence my concern with it at this stage.

OLIVER: Was there an objective early on in the case of the Young Professionals Program not only to recruit bright young people, but also to obtain a greater geographic distribution in staff of the Bank?

LEJEUNE: Yes, that was an element. The most important thing was that we wanted people of high quality. Every applicant had to meet that criterion. As an illustration of what we meant by high quality, we meant young people who were very bright, very able, and who definitely had managerial potential. The idea was to bring people in at the bottom of the Bank who would be put into management positions later in their careers. We were looking at the development of their careers in the Bank and looking forward to the day that they might rise to positions of that kind.

At the same time, the Bank was concerned that the developing countries were not well represented, that representatives of the more developed countries -- Americans, British, Dutch and to some degree the French, not so much the Canadians -- were very well represented, overly represented, and so this program was part of a more general effort to recruit high quality people from the developing countries. It coincided with an era when there were more such people available. It was very hard finding good persons from some of the least developed countries in the early days of the Bank, but by now, the late '60s, prospects were considerably improved.

OLIVER: Would you say a word about the budgeting process? You did say something about that before. Is there anything you care to add? It became much more systematic didn't it?

LEJEUNE: I could expand a little on what I said. You may remember that I said that in the early days of the Bank there really was no budgeting process in the modern sense. The person concerned with the
Bank's budget went around to the various department heads and got their ideas on what they would need the following year, and that was what went into the budget -- mainly in terms of personnel and then, as extrapolations from that, the other budgetary items.

This seemed to me when I became Director of Administration a very unsophisticated way of proceeding, in what was now becoming a rather large institution. So I advised Woods that I thought we needed to get on a much more modern basis of programming and budgeting of some kind. He agreed with that, and, as a consequence, we set up a Program and Budget Department. It was late in my tenure as Director of Administration and fairly late, certainly half way through, Woods term as President; indeed, this thing had not really gotten off the ground by the time that George Woods left and Bob McNamara came in.

McNamara was a strong advocate of exercising management control through programming and budgeting, so he greatly strengthened the capacity of the Program and Budget Department. He moved the person that Woods had named to the directorship of it out and put in somebody else from within the Bank. While Woods had recognized that we needed a system much better than we had had in the past, McNamara viewed it as a specific way -- in fact the most important way -- of his exercising control over the operations of the Bank. So he took it to a much higher level of development and made it, in effect, his personal staff.

OLIVER: He had perceived in his days as Secretary of Defense that the United States Government in determining which parts of the government grow and which parts of the government do not grow, I suspect.

LEJEUNE: Yes, that's true.

OLIVER: Would you say a word about evaluations of the operations of the Bank? Did that begin in the '60s?

LEJEUNE: Frankly, I don't quite remember when that began. We would have to check some records on that. My impression is that this came about in McNamara's time rather than Woods', although the problems to which it would respond were very much in evidence in Woods' time. You probably have been told this by other people, but the problem at issue was that the shareholders of the Bank, particularly the United States but not solely the United States, were determined to have a better handle on what had been the degree of success of the Bank's operations so as to be able to make judgements about how its policies might be changed in the future. They were also dubious about some of the things that the Bank had done. I guess there were doubts for political reasons in those days. At first the United States felt that the internal workings of the Bank should be subject to review by the U. S. -- by the Bureau of the Budget or the General Accounting Office.

OLIVER: Or by a Congressional Committee?

LEJEUNE: Or by a Congressional Committee. This was, of course, anathema to the Bank as an international organization and to other international organizations such as the Inter-American Bank. Nobody was going to permit this if it could be avoided.

One way of trying to get the results the United States and,
perhaps, others wanted without giving away the Bank's independence was
to set up within the Bank a semi-autonomous body with the job of
evaluating past operations and making reports directly to the Board of
the Bank. That is what was done. I don't know what exactly
McNamara's intentions were when this finally got put together, but
certainly, as time went by, this body became virtually independent of
the management of the Bank and became an arm of the Board. I think
this may of been the original intention. I'm not sure. At any rate
it moved more in that direction than some of us assumed to begin with.
Today it is a body which stands well apart from the operations of the
Bank, dealing at arm's length with the Bank's operations, evaluating
them, making reports on individual operations, making reports on kinds
of operations, looking into whether they meet their objectives or not;
and all this is done with a good deal of feedback to bring about
changes in the way we do things, changes in our systems and in our
processes.
OLIVER: Well sir, I have run out of questions to ask. Maybe there
are some questions which I should have asked. Are there any closing
comments on your part from your experience and the wisdom of the
years?
LEJEUNE: I think you have asked the questions that are worthy of
having answers recorded. As you probably know, I really spent my
whole working life in the Bank, and I never cease to feel that it was
an extraordinary institution with a tremendous sense of dedication to
what it was trying to do -- a highly professional organization. In my
own case, and the case of a number of other people, I suppose, there
were opportunities, times when one could have left and gone out and
done something else and made a lot more money, but it never crossed my
mind to leave the Bank, even in times when things were not necessarily
going well for me personally. I cannot imagine an activity which
would draw so much on one's abilities and also fit in so well with
one's personal philosophies and hopes of doing something useful.
OLIVER: Thank you very much.